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SUBJECT: Argentina: Farmers Strike, then Talk; GOA Threatens to Nationalize Grain Trade

Ref: Buenos Aires 94

11. (SBU) Summary: Two hours after the end of a four-day farm strike in which Argentine producers did not market grains and cattle, the government and the farm lobby groups met on February 24 to begin a new round of discussions on farm policy. The government announced after the meeting new measures to assist the farm sector, although these did not include a reduction in the controversial export tax for soybeans. While admitting that significant differences remain, both sides described the meeting as a positive step towards resolving some outstanding issues. The good feelings did not last, however, as both sides toughened their rhetoric by the end of the week. Farm leaders had highly public meetings with opposition leaders, while some sectors of the government reportedly threatened to nationalize grain exports. End Summary.

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Four-Day Farm Strike  
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12. (U) Farm producers held a four-day strike from February 20 to 24 to protest against government policies for the sector. The grievances of the producers include export taxes for agricultural products; restrictions on exports of wheat, corn and beef; and a demand for more support to offset the impact of the drought. Producers stopped marketing grains, oilseeds, and livestock during the strike. They did not, however, block major highways as had occurred in previous strikes. In a further effort to pressure the government, local producers occupied a bank in Entre Rios to demand a plan to renegotiate farm loans with lower interest rates. The strike and occupation of the bank took place despite the announcement by the GOA that it would be meeting with farm leaders on February 24, as producers held out little hope for significant progress.

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Talks Between Farmers and GOA  
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13. (U) Farm leaders met with Minister of Production Giorgi, Minister of Interior Randazzo, and Secretary of Agriculture Cheppi shortly after the end of the farm strike. The farm groups were represented by presidents of the Rural Society of Argentina (SRA), Confederation Rural Argentina (CRA), Agricultural Federation of Argentina (FAA), and Coninagro. Although export taxes for soybeans were not on the agenda, both sides described the meeting as productive. One farm leader described the meeting as a "4" on a scale of 1 to 10, a significant improvement over previous meetings. (Comment: Initially, the GOA planned to have only Giorgi meet with the farm leaders, according to press reports.) They agreed to meet again on March 3.

¶4. (SBU) In a meeting the following day with the Ambassador, Ag Secretary Cheppi commented that the meeting with farm leaders was positive and that the government was optimistic. He noted that the farm groups are under pressure from their members to come up with solutions. Recent rains have helped reduce some of the tension, but substantially more rain is needed to replenish depleted soil moisture.

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Government Supports Announced  
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¶5. (U) The government announced after the meeting on February 24 measures to support producers which it estimated have a fiscal cost of US\$400 million (roughly 0.1 percent of GDP). The government repeated, however, that it would not lower the export tax on soybeans, currently at 35%. The farm lobby groups expressed disappointment in the proposed measures, but highlighted the change of attitude of the government. The main government measures are aimed at addressing the impact of the worst drought in more than 50 years and problems caused by government restrictions on exports.

¶6. (U) Dairy: Export taxes for dairy products will be reduced from 5% to zero; small dairy producers will receive a price support of 0.10 pesos per liter; and a compensation of 200 pesos per head to producers who feed their male calves up to 130 kilos.

¶7. (U) Wheat: Mills will be compensated for the price of the bag of wheat; the official price for supplying the domestic market will increase from 370 pesos to 420 pesos; and the government will slowly open export registries for wheat (taking into account the security of local supplies and the level of the price of bread and flour).

¶8. (U) Beef: Tax benefits will be given for producers who feed steers over 400 kilos; support to cow calf operations negatively affected by the drought; and the promise to pass to Congress a new Federal Meat Law.

¶9. (U) Regional Economies: Reduction up to 50% of the export tax for tobacco, cotton, fruits and other local products from less wealthy regions.

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A Short Honeymoon  
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¶10. (U) The improvement in relations between the GOA and farm sector was short lived. Farm leaders met with leading congressional opponents of the government on February 25 in a highly publicized forum, where they criticized the government for not taking sufficient measures to address the impact of the drought. They also pressed for the complete elimination of export taxes on agricultural products (which currently represent about 10% of government revenue). The GOA was quick to respond, accusing the farm leaders of superseding their sector's agenda to form a political alliance with a broader agenda of opposing the government.

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Nationalization of Grain Trade?  
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¶11. (U) The government was widely reported on February 27 to be considering nationalization of grain trade to force farmers to sell grain and soybeans currently held in storage. According to these reports, the GOA is concerned that farmers continue to hold up to 9 million tons of soybeans from last year's crop (private sources estimate between 5 and 6 million tons). Sales of these soybeans could quickly generate US\$ 1 billion in additional revenue from export taxes. It appears that there is no official government decision on nationalizing grain and oilseed exports, with some sectors of the government (particularly in the Ministry of Production) denying any plans in this direction and dismissing the proposal as an effort to pressure producers. Industry contacts and sources in the federal tax agency, headed by close Kirchner associate Ricardo Echegaray, are reporting, however, that the measure is under serious consideration. Prominent farm leaders have already announced that nationalization of the grain trade would fuel

a dispute even greater than the battle over the variable export tax that ignited the farm strike in 2008.

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COMMENT  
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¶12. (SBU) Relations between the government and the farm sector remain tense. Both sides appear to be divided between factions anxious to reach an agreement and hardliners. While the more conciliatory voices appeared to be in charge on February 24, confrontation is once again the order of the day. Both sides are looking increasingly at the legislative elections in October, and settling the farm dispute continues to be a unifying issue within an opposition that is seeking to build alliances ahead of the midterms. While it appears improbable that the GOA would nationalize grain trade, which would disrupt the grain market, there may well be sectors close to the President and her husband that are pressing in this direction. END COMMENT

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